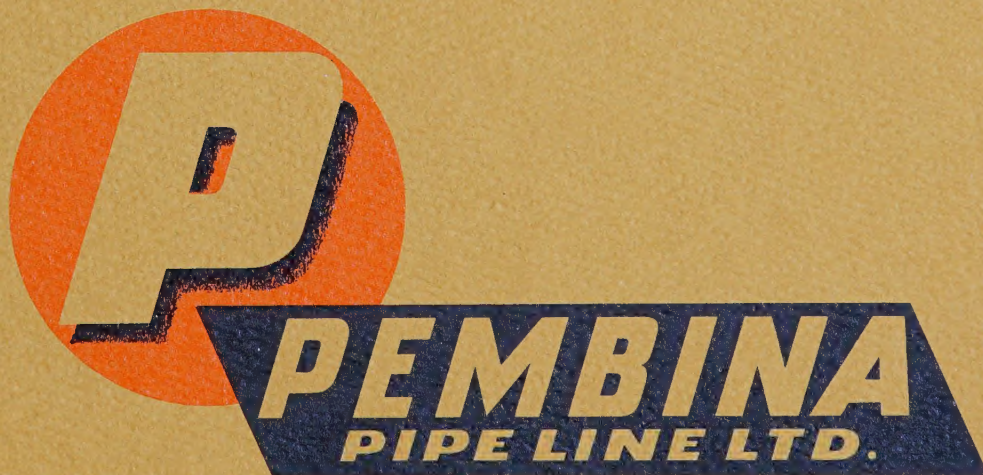


fourteenth
annual
report
1968



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Annual Report 1968

HIGHLIGHTS

FINANCIAL

Gross operating revenue	\$8,949,547
Net flow of funds from operations	5,836,582
per common share	3.47
Net earnings	1,734,768
per common share	1.01

OPERATING

Crude oil transmission	
Average daily pipe line deliveries	
Barrels per day	120,970
Oil and Gas production	
In equivalent daily barrels at year end	2,900
Net acreage at year end	1,117,371



REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the 14th Annual Report covering the results of operations for the year ended November 30, 1968.

Financial and Earnings

Gross revenue from operations in the year increased \$840,000 or 10% to \$8,950,000 as a result of higher throughputs in the pipe line system and increased production of crude oil. Operating expenses increased \$735,000 or 24% to \$3,795,000 principally because of increased charges for exploration, dry holes, and abandonments. The net result was to increase cash flow \$463,000 or 9% to \$5,837,000. Net earnings for the year amounted to \$1,735,000 or \$1.01 per common share after provision for dividends on preferred shares. As reported more completely in the notes to the financial statements, a change has been made in the method of accounting for income taxes and the accumulated provision for deferred income tax credits has been transferred to retained earnings. The comparative statement of earnings for 1967 has been restated to reflect this change.

Pipe Line Operations

Throughputs in the pipe line system averaged 120,970 barrels per day during fiscal 1968. This is an increase of 3,850 barrels per day over 1967. In our interim report of June we had not anticipated the extent of the heavier third quarter demand for Alberta crude, resulting from increased exports to Districts I-IV in the United States. At the present time it is most difficult to forecast the levels of exports to the United States which might be realized in the current year. There is strong demand for Canadian crude evidenced by refiners in the market areas served because of price and quality. However, the extent to which political considerations will allow supply of this market to be fulfilled is the unknown. In any event we believe throughputs for the year will be in the range of 117,000 to 123,000 barrels per day.

Studies are currently under way to determine the economic feasibility of extending the gathering system to provide service to the Niton field. Such an extension would require construction of approximately twenty-five miles of four inch gathering line north from the Pembina field.

Acquisition of Oil and Gas Producing Properties

A purchase from American Metal Climax, Inc. of their producing properties in Canada added crude oil production from the Elmore and Illerbrun fields in Saskatchewan, from Crossfield, Willesden Green and Pembina fields in Alberta and gas production from Crossfield and the Jedney-Beg field in British Columbia. Approximately 750 barrels of daily crude oil and natural gas liquids production and 2.5 mmcf. of natural gas production was obtained in this acquisition.

Acreage Interests

Your Company actively participated in the bidding for oil and gas rights at Crown Sales and was successful in acquiring acreage interests in Northeastern British Columbia, Alberta and Saskatchewan. Some of these lands are highlighted on maps elsewhere in the report. In addition to the acreage added from Crown Sales, approximately 60,000 net acres of undeveloped lands were acquired with the purchase of producing properties from American Metal Climax, Inc. At the year end your Company had interests in 1,117,000 net acres.

Drilling and Interest In Wells

During the year under review your Company participated in the drilling of 34 wells, of which 15 were exploratory and 19 were development. The exploratory drilling resulted in the successful completion of 4 wells of which 2 are oil wells and 2 are gas wells. Eleven were drilled and abandoned. Of these dry holes 7 were drilled by others on farmout at no cost to the Company. The development drilling resulted in the completion of 15 oil wells and 4 gas wells. This development drilling was concentrated in the Butte field in Southwestern Saskatchewan and in the Inga field in Northeastern British Columbia. At year end your Company's

Oil and Gas
Production

interest in wells, producing or capable of production, was equivalent to 55 net oil wells and 51 net gas wells. This represents an increase in the year of 25 oil wells and 2 gas wells.

Daily average production for 1968 amounted to 1,620 barrels of crude oil and natural gas liquids and 13.61 mmcf. of natural gas. Stated on an oil equivalent basis it amounts to 2,300 barrels per day, an increase of 53% over the daily average for the previous year. Production at year end had reached 2,900 barrels of crude oil and natural gas equivalent. The table on page 12 shows the fields from which the production in the year was obtained.

Industry
Outlook

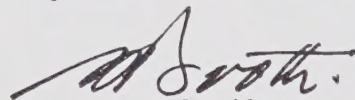
The most significant industry development during 1968 was the announced discovery of crude oil at Prudhoe Bay on the North slope of Alaska. This discovery has increased the interest in the Arctic Islands development being conducted by Pan Arctic Oils and has renewed interest in the Mackenzie Delta. Your Company is represented in northern exploration with 660,000 acres in the Arctic Islands, farmed to Pan Arctic, and in two permits comprising 90,864 acres on the Mackenzie Delta. Continued efforts will be directed towards acquiring additional interests in the area.

Preliminary estimates of the discovery at Prudhoe Bay assumes reserves in the range of 5 to 10 billion barrels. Reserves of this magnitude will have a profound impact on future marketing patterns in North America. Canadian crude oil production has increased steadily over the past few years primarily as a result of exports to the United States. By reason of the fact that Canadian crude oil enjoys a competitive price advantage when compared with American domestic crude in the midwestern and northern states, we have been successful in increasing exports to these areas. This has not been without some opposition and pressures continue to be exerted to limit the increase in Canadian imports.

Alaskan crude oil, being a source of United States domestic supply, is being used now and will be utilized to a greater degree in the future for the domestic needs of the United States. Crude from southern Alaska is presently being used in District V (Pacific Coast area). This movement of Alaska crude has already supplemented part of the market previously supplied by Canadian crude oil. Reserves of crude oil can only be developed if a market exists now or in the foreseeable future, to support the cost of development. It is imperative then that reserves development be tied to a basic marketing formula. It is the general opinion of the Canadian industry that within the framework of an overall Continental Oil Policy, development in all areas of North America can best proceed toward optimum economics. If a Continental Oil Policy is not adopted, Canada for its own protection, and for the viability of the Canadian producing industry, will have to adopt a national policy encompassing all of Canada to the exclusion of imports into that area east of the Ottawa Valley. As in the past the industry must solve these supply and demand problems so that development can proceed in an orderly manner; however, considering the extent to which the national economy is affected and international relationships are involved, it is essential that our Government take as active and strong a role as possible in fostering a Continental Oil Policy.

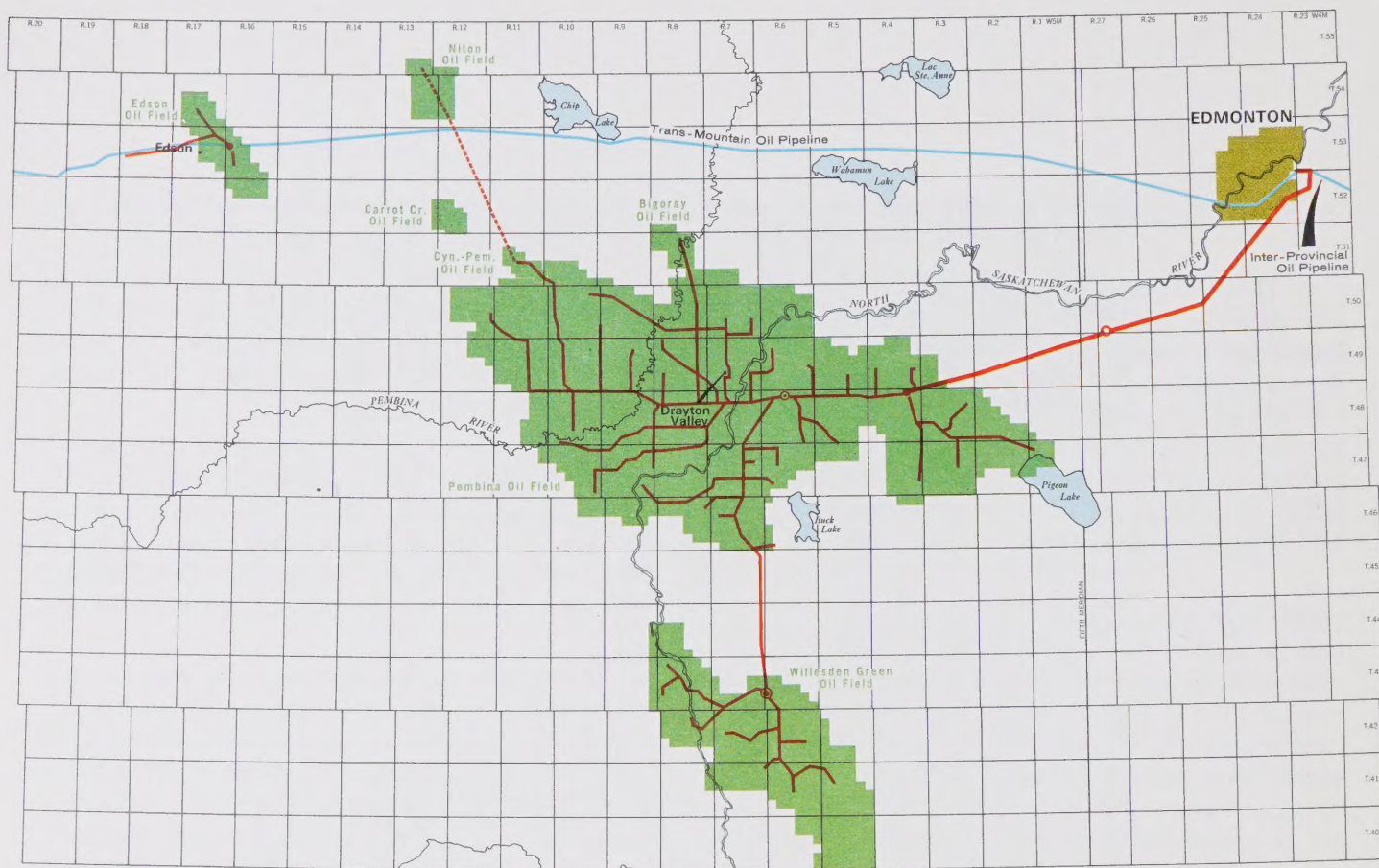
Your Directors wish to express sincere thanks to all employees of the Company for their major contribution to the successful operations in the year.

By Order of the Board



President

Calgary, Alberta
February 17, 1969



PIPE LINE FACILITIES

- Company Facilities
- - - - - Proposed Construction
- ⊙ Pump Station
- Booster Station
- Truck Station
- Connected Carrier

SYSTEM FACILITIES			
	Oil Wells Served	Field Batteries	Miles of Pipe Line
Pembina	3,253	355	725
Willesden Green	347	38	93
Bigoray	15	1	10
Cyn Pem	21	1	4
Edson	23	5	21
Trunk Line	—	—	78
	<u>3,659</u>	<u>400</u>	<u>931</u>

REVIEW OF OPERATIONS

PIPE LINE DEPARTMENT

Field receipts of crude oil into the pipe line system during 1968 were 44,269,000 barrels, an increase of 1,521,000 barrels or 3½% over receipts in 1967. Receipts of this magnitude, the largest since 1961, had not been contemplated in our earlier predictions and were accounted for by the heavy demand for Canadian crude in the United States during the third quarter of 1968.

FIELDS	PIPE LINE RECEIPTS	
	1968	1967
Pembina	40,412,000	39,121,000
Willesden Green	2,890,000	2,593,000
Bigoray	176,000	219,000
Cyn Pem	400,000	442,000
Edson	391,000	373,000
Total	<u>44,269,000</u>	<u>42,748,000</u>

On May 1, 1965 the Alberta Oil and Gas Conservation Board instituted the first step of a transition to a new oil prorationing system based on recoverable reserves rather than the production capability. On May 1st, 1969 the final stage of the transition will be instituted. This involves establishment of new minimum well production allowables which are not expected to affect significantly production from the Pembina field for the next few years, provided the present balance of total reserves to total demand is not greatly altered.

During 1968 further refinements were made in the automated facilities controlling the trunk line system to Edmonton. Field automation was also increased and at the year end 92% of all field production was being handled through lease automatic custody transfer facilities.

Phase I of the program of research planned by the Solids Pipe Line Research and Development Association, of which Pembina Pipe Line Ltd. is a member, has been completed. The results are under review by the members of the association and a decision to proceed with the required additional research is expected early in 1969.



OIL AND GAS DEPARTMENT

LAND

During the year ended November 30, 1968 your Company acquired interests in Crown Lands in British Columbia, Alberta and Saskatchewan. The largest net interests were acquired in the Northern British Columbia gas play where interests were acquired in drilling reservations in the Sahdōanah and Thetlaandoa areas and in a P. & N. G. permit in the Nig Creek area — as shown on the map on page 9. The Company was also successful in acquiring an interest in semi-proven acreage in the Inga area of Northeastern British Columbia, as shown on the map on page 11. In Alberta, the Company acquired interests in exploratory lands in West Central Alberta; viz. the Brazeau River, Ferrier and Cherhill areas. Acreage was also acquired in the Gleichen area of Southeastern Alberta and the locations of these lands are shown on the map on page 11.

Because of significant discoveries at Prudhoe Bay, Alaska, industry attention in 1968 was focused on Canada's North. Pembina holds two permits comprising 90,864 acres in the Mackenzie Delta. At the present time two wells are being drilled by others in the Delta.

As reported last year, the Company has farmed its interests in the Arctic Islands to Panarctic Oils Ltd. which has announced two well locations to be drilled in 1969 on Melville Island. The two locations are in the general area of Pembina's farmed lands on Melville Island.

During the year certain interests in lands were surrendered, with the major changes being in the Saskatoon area of Central Saskatchewan and in the Dunmore area of Southeastern Alberta. At November 30, 1968 your Company had an interest in 1,868,979 gross acres and net holdings of 1,117,371 acres.



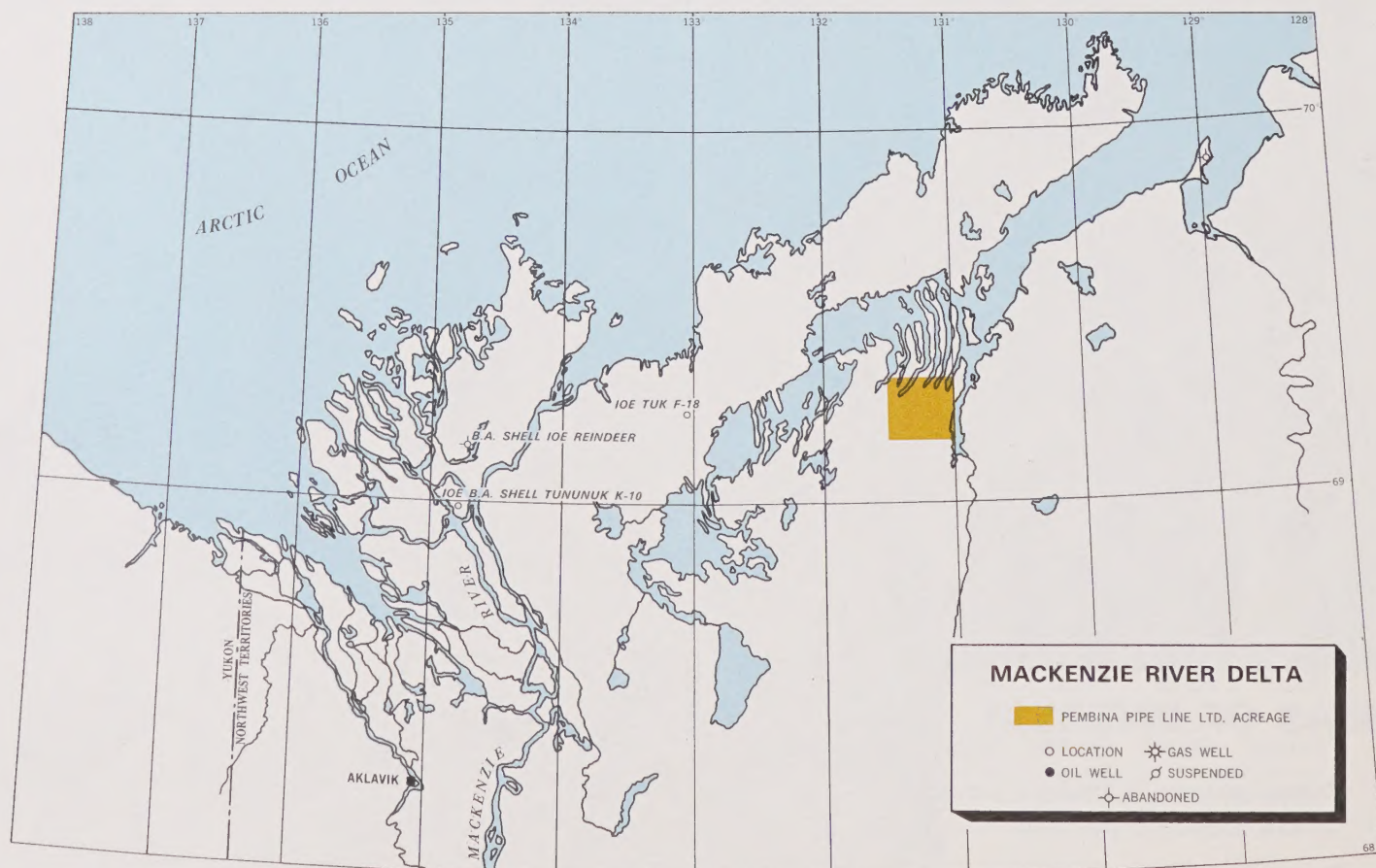
SUMMARY OF ACREAGE HOLDINGS

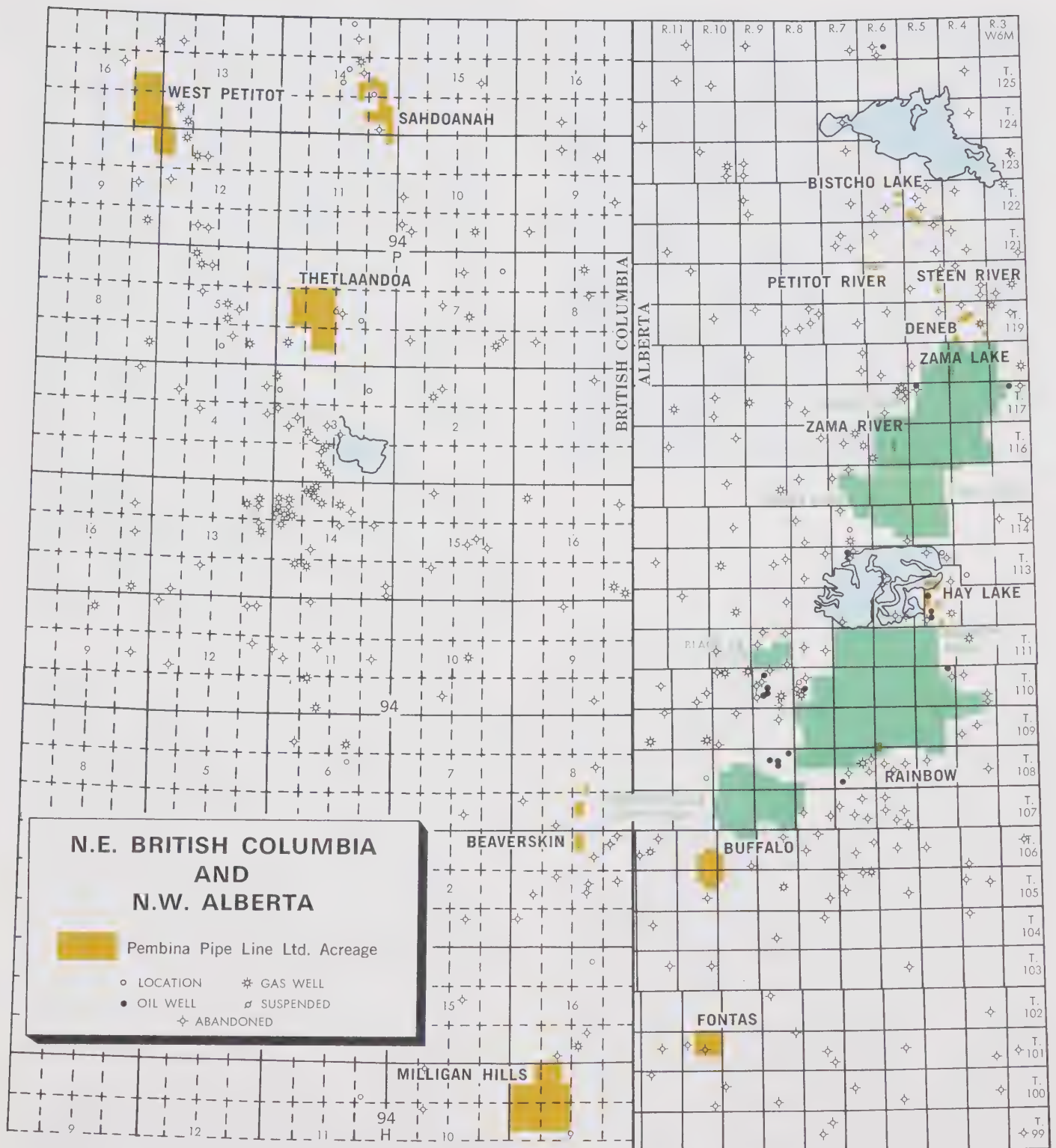
	Gross Acreage		Net Acreage	
	1968	1967	1968	1967
Alberta	563,703	358,351	208,962	180,560
British Columbia	429,618	243,548	124,881	84,536
Saskatchewan	123,905	117,007	31,775	56,583
Mackenzie Delta	90,864	90,864	90,864	90,864
Arctic Islands	660,889	660,889	660,889	660,889
	<u>1,868,979</u>	<u>1,470,659</u>	<u>1,117,371</u>	<u>1,073,432</u>



AREAS OF INTEREST

-  Acreage acquired in 1968
-  Acreage acquired in prior years







EXPLORATION

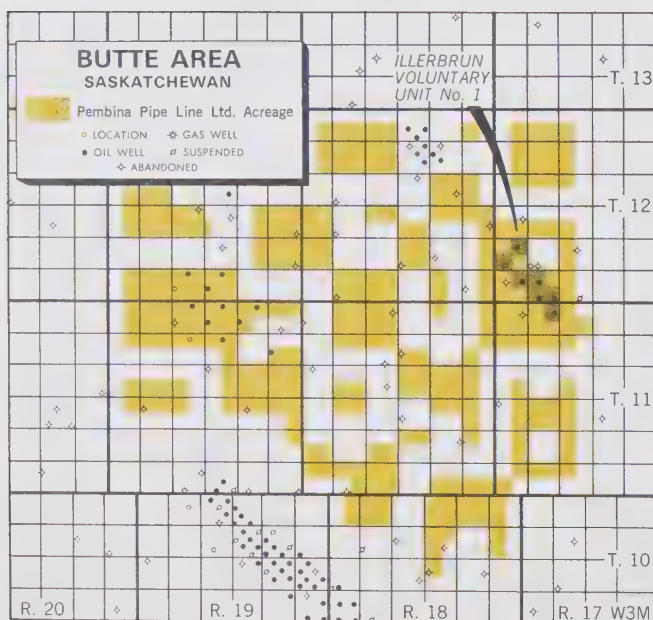
The Company participated in seismic surveys in Northeastern British Columbia and in Northern Alberta; this work was carried out to evaluate untested acreage acquired in prior years and to evaluate lands offered in 1968. In addition to geophysical exploration, your Company participated in two separate geochemical surveys, one in Northwestern British Columbia and the other in Central Quebec. This geochemical work resulted in the acquisition of mining claims in both areas.

DRILLING

Your Company participated in the drilling of 34 wells, of which 17 were completed as oil wells, 6 as gas wells and 11 were dry. Of the 11 dry holes drilled, 4 were drilled in participation with others and the remaining 7 were drilled on farmout lands at no cost to the Company.

Drilling activity during 1968 was spread throughout the Provinces of Saskatchewan, Alberta and British Columbia. In Saskatchewan, the main drilling activity was in the Butte area of Southeastern Saskatchewan where the Company participated in the drilling of 11 wells of which 9 were completed as oil wells and 2 were abandoned. In the Elmore area of Southeastern Saskatchewan your Company participated in the drilling of 3 wells of which 2 were completed as oil wells and one was abandoned.

In Alberta, exploratory drilling was undertaken in Northeastern Alberta in the general area of Hay Lake, where the Company participated in the drilling of 2 wells. The well 10-36-112-5-W6 was drilled and abandoned and the well 6-28-112-5-W6 was completed

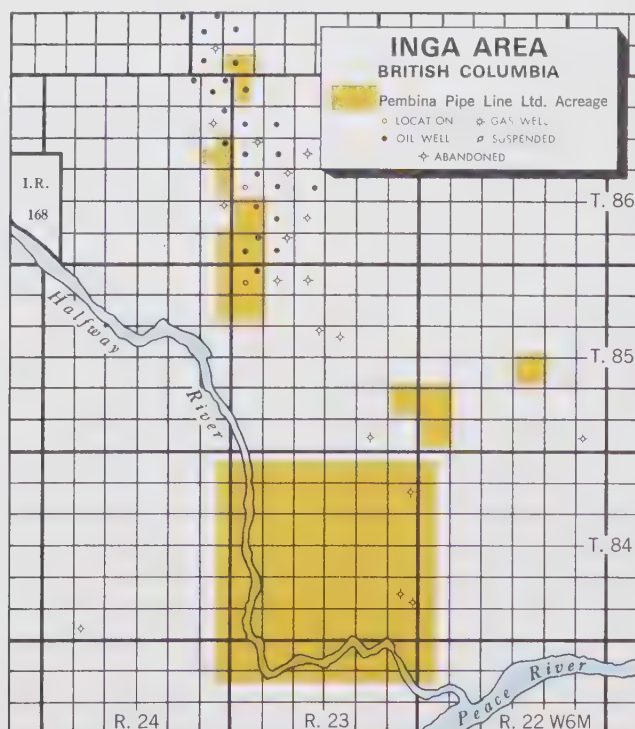
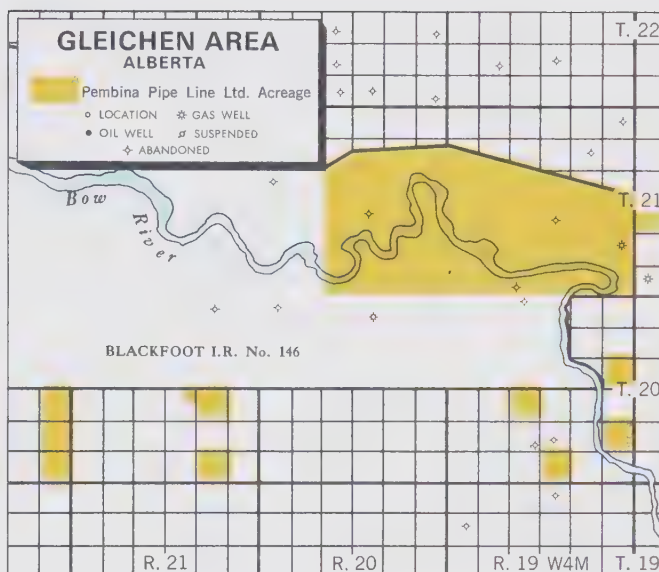


as an oil well. North of Hay Lake in the Zama area your Company participated in the drilling of 2 wells. The first well 5-13-119-4-W6 was completed as a gas well and is shut in pending market development and the second well 2-15-116-6-W5 was drilled and abandoned. The locations of the foregoing wells are shown in detail on the map on page 9. In Southern Alberta, your Company participated in 2 development wells drilled in the West Provost gas field for the purpose of increasing deliverability. In the Gleichen area of South-eastern Alberta, the Company participated in the drilling of an exploratory gas well, 10-12-21-19-W4, which is presently shut in awaiting market development.

Drilling activity in British Columbia was concentrated in the Inga area where your Company participated in the successful completion of 5 oil wells. These were completed on lands acquired in 1968. Your Company also participated in the drilling of a successful gas well in the Jedney-Beg area of British Columbia.

SUMMARY OF WELLS DRILLED IN 1968

	Oil	Gas	Dry	Total
Exploratory				
Gross	2	2	11	15
Net	0.7	0.4	2.0	3.1
Development				
Gross	15	4	0	19
Net	4.0	0.4	0	4.4
Totals				
Gross	17	6	11	34
Net	4.7	0.8	2.0	7.5



PRODUCTION

STATEMENT OF PRODUCTION

for year ended November 30, 1968

		1968	1967
		Bbls.	Bbls.
Oil Fields			
Sturgeon Lake South	Alta. —	123,268	49,555
Pembina	Alta.	113,838	40,101
Swan Hills	Alta. —	53,341	45,455
Mitsue	Alta. ...	49,996	52,921
Willesden Green	Alta. —	40,928	30,791
Medicine River	Alta. ...	38,986	28,669
Illerbrun	Sask. —	54,097	—
Elmore	Sask. ...	26,045	—
Hastings	Sask. —	8,533	9,400
Boundary Lake	B.C. —	40,851	35,353
South Inga	B.C.	15,961	39
Other	—	26,056	7,606
		<u>591,900</u>	<u>299,890</u>
		Mcf.	Mcf.
Gas Fields			
Medicine Hat	Alta. ...	3,084,389	3,648,250
Stevenville-Cessford	Alta. ...	1,005,180	1,108,405
Other	—	888,062	356,613
		<u>4,977,631</u>	<u>5,113,268</u>

Crude oil production for the year ended November 30, 1968 averaged 1,620 barrels per day as compared to 820 barrels per day for the fiscal year ended November 30, 1967. This increase can be attributed principally to producing properties purchased during 1968 and to a lesser extent by reason of increased demand for Alberta crude oil. Despite the acquisition of producing gas properties, natural gas sales for the year were 136 million cubic feet less than in 1967.

The reduction occurred as a result of reduced sales to the fertilizer plant in Medicine Hat.

The Mitsue field was unitized on May 1, 1968 and as a result of the institution of enhanced recovery by water injection, the Oil and Gas Conservation Board designated, effective September 1, 1968, an increase in recoverable reserves. This increase in reserves allows additional production under the existing proration formula and should increase allowable production from the Mitsue Unit in future years. In the South Sturgeon D3 field where your Company holds an interest, work is under way to install crude oil conditioning and gas conservation facilities. This project will ensure greater recovery of hydrocarbons from the pool and will be in operation in late 1969. Production from development wells in South Inga field in British Columbia and the Butte field in Southeastern Saskatchewan did not contribute substantially to production in 1968, as the development drilling was carried out in the latter months of the fiscal year.



PEMBINA PIPE LINE LTD. and Subsidiary Companies

**CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

YEAR ENDED NOVEMBER 30, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
SOURCE OF FUNDS		
Funds derived from current operations before charges for depreciation, depletion, amortization, abandonments and provision for deferred income taxes	\$ 5,836,582	\$ 5,373,327
Production loan less amount shown as current liability	3,220,000	—
	<u>\$ 9,056,582</u>	<u>\$ 5,373,327</u>
 APPLICATION OF FUNDS		
Net additions to carrier property, land, leases, wells and other equipment	\$ 9,866,641	\$ 3,452,230
Sinking fund payments	940,500	1,349,000
Production loan payments	453,800	460,827
Payment of prior year's income tax and interest .	318,401	—
Dividends on preferred shares	54,712	61,316
Other items	1,213	(9,872)
	<u>\$11,635,267</u>	<u>\$ 5,313,501</u>
Increase (Decrease) in working capital	<u>\$(2,578,685)</u>	<u>\$ 59,826</u>
Working capital deficit	<u>\$ 2,861,727</u>	<u>\$ 283,042</u>

See accompanying notes to financial statements

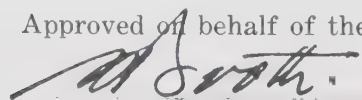
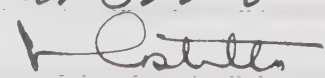
PEMBINA PIPE LINE LTD. and Subsidiary Companies

CONSOLIDATED BALANCE SHEET November 30, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
ASSETS		
FIXED ASSETS, at cost:		
Investment in carrier property, land, leases, wells and other equipment	\$55,989,807	\$47,281,164
Less accumulated depreciation, depletion and amortization	16,920,497	14,837,526
	<u>39,069,310</u>	<u>32,443,638</u>
Operating oil supply	485,572	485,572
	<u>39,554,882</u>	<u>32,929,210</u>
INVESTMENTS, at cost:		
Bonds and shares of other companies	243,619 ✓	243,619
CURRENT ASSETS:		
Cash	6,105 ✓	242,619
Accounts receivable:		
Trade accounts	804,512	691,293
Others	126,956	112,754
Funds held by trustee	2,206	2,206
Materials and supplies, at cost	25,764	26,461
Deposits and prepaid expenses	101,044	56,710
Short term deposit receipts, at cost plus accrued interest	— ✓	3,845,919
	<u>1,066,587</u>	<u>4,977,962</u>
DEFERRED CHARGES:		
Unamortized discount on funded debt	32,187	47,800
Organization expenses	30,824	29,611
	<u>63,011</u>	<u>77,411</u>
GOODWILL AND OTHER INTANGIBLES,		
less amounts written off	505,399	544,631
	<u>\$41,433,498</u>	<u>\$38,772,833</u>

Approved on behalf of the Board:

 , Director
 , Director

	<u>1968</u>	<u>1967</u>
LIABILITIES		
LONG TERM DEBT:		
Funded debt less current maturities (Note 1) . .	\$ 3,867,000	\$ 4,682,500
Production loans less current portion (Note 2) .	<u>5,174,473</u>	<u>2,408,273</u>
	9,041,473	7,090,773
CURRENT LIABILITIES:		
Demand bank loans	1,825,000	4,155,600
Accounts payable and accrued charges	662,043	521,600
Interest accrued on funded debt	12,671	14,054
Sinking fund payments due within one year, less bonds, debentures and preferred shares held by the company	259,800	180,950
Production loan payments due within one year .	<u>1,168,800</u>	<u>388,800</u>
	3,928,314	5,261,004
DEFERRED TAXES ON INCOME (Note 4) . .	<u>6,918,603</u>	<u>6,284,770</u>
SHAREHOLDERS' EQUITY:		
Capital stock:		
5% cumulative redeemable first preferred shares of a par value of \$50.00 each (Note 3)	975,000	1,100,000
Common shares:		
Authorized: 4,000,000 shares of a par value of \$1.25 each		
Issued: 1,665,032 shares	2,081,290	2,081,290
	3,056,290	3,181,290
Capital redemption reserve fund	900,000	775,000
Paid-in surplus	510,710	510,710
Retained earnings (Note 4)	<u>17,078,108</u>	<u>15,669,286</u>
	21,545,108	20,136,286
	<u>\$41,433,498</u>	<u>\$38,772,833</u>

See accompanying notes to financial statements

PEMBINA PIPE LINE LTD. and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED NOVEMBER 30, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Income:		
Revenue from operations	\$ 8,949,547	\$ 8,109,288
Income from investments	70,742	97,330
	<u>9,020,289</u>	<u>8,206,618</u>
Expenses:		
Operating, including exploration, non-productive drilling and abandonments	3,794,533	3,059,528
Interest and discount on long term debt	550,393	481,920
Other interest, net	(122,896)	(18,655)
Amortization of goodwill	39,234	38,079
Depreciation and depletion	2,218,257	1,862,470
	<u>6,479,521</u>	<u>5,423,342</u>
Net earnings before the following	2,540,768	2,783,276
Provision for future years' income taxes (Note 4)	806,000	891,000
Net earnings	<u>\$ 1,734,768</u>	<u>\$ 1,892,276</u>

See accompanying notes to financial statements

PEMBINA PIPE LINE LTD. and Subsidiary Companies

CONSOLIDATED STATEMENT OF SURPLUS

YEAR ENDED NOVEMBER 30, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Paid-in Surplus		
Balance end of year	\$ 510,710	\$ 510,710
Retained Earnings		
Balance beginning of year as previously reported	\$13,621,078	\$12,329,818
Add transfer of prior years' provisions for deferred income tax credits (Note 4)	2,048,208	1,633,508
As restated	15,669,286	13,963,326
Add net earnings for the year	1,734,768	1,892,276
	<u>17,404,054</u>	<u>15,855,602</u>
Deduct: Dividends paid on 5% cumulative redeemable first preferred shares	54,712	61,316
Transfer to capital redemption reserve fund re redemption of preferred shares	125,000	125,000
Excess of payment of prior year's income tax and interest over related provision for deferred income tax	146,234	—
	<u>325,946</u>	<u>186,316</u>
Balance end of year	<u>\$17,078,108</u>	<u>\$15,669,286</u>

See accompanying notes to financial statements

PEMBINA PIPE LINE LTD. and Subsidiary Companies

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1968

1. Funded Debt, subject to sinking fund requirements:

	<u>1968</u>	<u>1967</u>
First Mortgage Bonds:		
4¾ % Series "A" due December 1, 1971	\$ 859,000	\$1,309,000
4½ % Series "B" due October 1, 1973	939,000	1,127,000
6% Series "C" due December 1, 1974	980,000	1,122,000
Debentures:		
5% Series "A" due December 1, 1972	676,500	856,500
5% Series "B" due October 1, 1974	749,000	833,000
6% Series "C" due December 1, 1975	67,500	67,500
	<u>4,271,000</u>	<u>5,315,000</u>
Deduct:		
Securities required for current sinking fund payments (current liability)	192,000	97,000
Securities acquired for current sinking fund payments .	79,000	175,000
Securities acquired to meet other than current sinking fund payments	133,000	360,500
	<u>404,000</u>	<u>632,500</u>
	<u>\$3,867,000</u>	<u>\$4,682,500</u>

Bonds and debentures amounting to \$772,000 were delivered in advance of the sinking fund requirements in 1968 and 1967.

The trust deeds securing the first mortgage bonds and debentures place certain restrictions upon the payment of dividends on the common shares of the company and upon the redemption or repayment of any capital stock.

2. Production Loans

Production loans consist of demand bank loans in the amount of \$6,343,273 which loans will be repaid at a rate sufficient to retire \$1,168,800 by November 30, 1969. These loans are secured by certain of the company's interests in petroleum and natural gas properties and an assignment of the interest in the gas purchase contracts applicable to the pledged natural gas interests.

3. Preferred Shares

	<u>1968</u>	<u>1967</u>
5% cumulative redeemable first preferred shares of a par value of \$50.00 each:		
Authorized: 60,000 shares		
Issued: 40,000 shares	\$2,000,000	\$2,000,000
Less redeemed: 1968 — 18,000 shares	900,000	—
1967 — 15,500 shares	—	775,000
	<u>1,100,000</u>	<u>1,225,000</u>
Less sinking fund payment due within one year . . .	125,000	125,000
	<u>\$ 975,000</u>	<u>\$1,100,000</u>

The company may at its option redeem the whole or any part of the 5% cumulative redeemable first preferred shares on not less than 30 days' notice at par value plus a premium of 1.25% to December 1, 1970 and .5% premium to December 1, 1972, after which no premium is payable upon redemption.

4. Income Taxes

In accordance with the Income Tax Act the company is permitted, for tax purposes, to claim depreciation in amounts other than those provided in its accounts and also to deduct the cost of petroleum and natural gas interests. Accordingly, tax deferrals have been effected during the year and have been treated in the accounts as a charge against earnings and a credit to deferred taxes on income.

This accounting treatment conforms with the bulletin published by the Canadian Institute of Chartered Accountants in 1968 (applicable to financial years commencing after December 31, 1967) recommending the methods of accounting for corporate income taxes. In prior years the company additionally provided for deferred income tax credits on petroleum and natural gas interests which savings were being amortized over the life of the petroleum and natural gas interests. In 1968 the company transferred prior years' provisions for deferred income tax credits on petroleum and natural gas interests to retained earnings.

The Statement of Retained Earnings at November 30, 1967 has been restated from amounts previously reported to reflect the retroactive credit of \$2,048,208 resulting from the 1968 adjustment in respect of deferred income tax credits. Of this amount \$414,700 is applicable to 1967 and has been reflected as an increase in earnings for that year; the balance, \$1,633,508 is applicable to the years prior to 1967 and has been credited to retained earnings at December 1, 1966. Had deferred income tax credits been provided in 1968 the net earnings would have been \$1,420,768.

5. Basis of Consolidation

Included in the consolidated statements are the accounts of all subsidiary companies, each of which is wholly-owned.

6. Remuneration of Directors and Officers

The remuneration paid to directors and senior officers of the companies for the year ended November 30, 1968 was \$129,780.

AUDITORS' REPORT

We have examined the consolidated balance sheet of Pembina Pipe Line Ltd. and its subsidiaries as of November 30, 1968 and the consolidated statements of earnings, retained earnings, paid-in surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at November 30, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change (with which we concur) in the treatment of deferred income tax credits as explained in Note 4 to the consolidated financial statements, were applied on a basis consistent with that of the preceding year.

Calgary, Alberta
January 31, 1969

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Ten Year Review

FINANCIAL (In thousands of dollars)

	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
Gross revenue	\$ 8,950	8,109	7,478	7,455	7,073	6,290	6,397	6,731	5,974	5,647
Net flow of funds from operations	\$ 5,837	5,373	4,666	4,842	4,808	3,055	2,857	2,985	2,761	2,566
per common share	\$ 3.47	3.19	2.76	2.94	2.94	1.85	1.72	1.80	1.67	1.54
Net earnings*	\$ 1,735	1,478	1,428	1,472	1,544	1,370	1,359	1,452	1,324	1,191
per common share	\$ 1.01	.85	.82	.86	.91	.80	.79	.85	.77	.69
Capital expenditures	\$ 9,867	3,452	3,540	5,465	4,307	1,389	1,245	1,391	1,652	1,774
Investment in fixed assets at year end — at cost	\$ 56,475	47,767	45,121	41,694	36,345	32,223	30,897	29,702	28,361	27,815
Long term debt less current maturities at year end	\$ 9,041	7,091	8,776	10,047	9,308	9,574	10,829	11,936	13,087	14,129

OPERATIONS

Pipe Line:

Average deliveries — barrels per day	120,970	117,120	114,430	118,270	120,850	116,740	113,580	121,550	110,400	103,400
Miles of line built in year	6	4	12	39	37	32	51	58	58	85
Miles of line system at year end	931	925	921	909	870	833	814	763	706	650

Oil and Gas:

Production — Crude oil and natural gas liquids —

net barrels	591,900	300,000	201,300	122,100	14,000
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Natural gas sales — billion cubic feet	4.98	5.11	4.21	3.77	1.49
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Oil and equivalent gas — barrels per day	2,300	1,500	1,100	850	250
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Wells drilled — gross	34	13	15	15	—
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Wells net at year end:

Oil	55	30	23	17	10
Gas	51	49	46	39	8
					6

Acreage at year end:

Gross	1,868,979	1,470,659	1,153,146	927,811	1,364,603	1,318,453	1,294,540
Net	1,117,371	1,073,432	892,979	819,957	1,033,740	1,017,578	1,001,553

*1968 earnings reflect a change in the method of accounting for deferred income tax credits.

PEMBINA PIPE LINE LTD.

DIRECTORS

H. BOOTH
Calgary, Alberta

E. CONNELLY
Calgary, Alberta

E. W. COSTELLO
Calgary, Alberta

F. P. MANNIX
Calgary, Alberta

B. L. MONTGOMERY
Calgary, Alberta

A. D. NESBITT
Montreal, Quebec

OFFICERS

E. W. COSTELLO
Chairman of the Board

H. BOOTH
President

E. CONNELLY
Vice-President

J. A. McDONALD
General Manager

J. T. WOOD
Treasurer

W. G. O'ROURKE
Secretary

W. G. GRAY
Controller and Assistant Secretary

BANKERS

*The Royal Bank of Canada
Calgary, Alberta*

TRANSFER AGENT
AND REGISTRAR
*Montreal Trust Company
Calgary, Alberta*

SOLICITORS

*Saucier, Jones, Peacock, Black,
Gain, Stratton & Laycraft
Calgary, Alberta*

AUDITORS

*Peat, Marwick, Mitchell & Co.
Calgary, Alberta*

HEAD OFFICE:
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FIELD OFFICES:
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